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SUBJECT: RUMORS BEGIN AROUND FUTURE APEC SUMMIT

VLADIVOSTO 00000035 001.2 OF 002

¶1. Summary. In 2006, federal authorities announced plans to hold 2012's Asia-Pacific Economic Cooperation Summit in Vladivostok. Plans were made for several large-scale infrastructure improvements to prepare the city for the international event, which would bring world attention to Vladivostok. Some APEC construction projects are already underway in Vladivostok, but others have been delayed and scaled back. Comments by officials have begun to make city residents skeptical that the event will be held in their city.

New Infrastructure, Spotlight Would Benefit City

¶2. Three years ago Primorye residents first heard of Moscow's intention to hold the 2012 Asia-Pacific Economic Cooperation Summit in Vladivostok. Authorities announced plans for several large-scale infrastructure projects to prepare the city for the international event, which would bring attention to Vladivostok as a Russian Far East city attractive to foreign business, and help integrate the region with the rest of Asia. Plans also call for building Summit facilities on Russkiy Island, just off the coast of Vladivostok, which would be used as a new Federal University after official meetings have ended.

Change of Plans? Rumors Abound

¶3. There has been no overt indication the plans to hold the Summit in Vladivostok have changed, but rumors have begun circulating among official circles. The first public call of doubt was sounded at the Krasnoyarsk Economic Forum in late February, when an unnamed Ministry of Finance Official called APEC-2012 a 'senseless event' and reminded colleagues about existing world-class facilities in Strelna near St. Petersburg. Federal Finance Minister Aleksey Kudrin had been against the idea from the beginning, voicing concerns about what he euphemistically termed 'inappropriate use of funds' (a reference to the notoriously corrupt Far East.) In mid-February Nikolay Ashlapov, Head of the RFE Directorate of the Rosstroy Company, mentioned a likely reduction of construction projects, especially at the future summit/university site. Rumors are strong enough that Mayor Sergei Pushkaryov made a statement in the March 13 edition of the 'Vladivostok' newspaper assuring that the Summit will be held as planned.

¶4. The construction of a tunnel to the Golden Horn Bay has been halted because developers forgot to put in a drainage system. Though not a significant detriment to the project, this is not a confidence builder for those funding the project. There have also been hints about freezing some Russkiy Island projects due to the economic crisis. Bridge construction to the island is facing a shortage of special material for the bridge's underwater pylons and unavailability of special construction

vessels for use in icy waters. Construction inspectors recently discovered 283 violations at the two APEC-related bridge sites, 77 of which remain unfixed. One of the bridge construction developers committed suicide after the inspection, leaving a note behind that called attention to the safety violations and his doubts that the project could be completed on time and within government specifications.

'Optimizing' = 'Reducing'

15. Of the 284 billion rubles budgeted for APEC in Vladivostok, 22 billion have been spent. Another 62 billion rubles are to be transferred from Moscow later this year. Rosstroy RFE Directorate Head Ashlapov promised an 'optimization' -- not 'reduction' -- of expenses by at least by 20 percent. Some analysts say that announcing a budget reduction may signal an intention to eventually cancel the project.

Not Much Enthusiasm for University Idea

16. Local education experts have criticized plans for the future Federal University for 50,000 students on Russkiy Island. Professors of several Vladivostok universities say the institution will have trouble attracting regional students, who are decreasing in number, and foreign students, who already have a wide array of choices among more established institutions. Aleksandr Latkin, a Consulate contact and a leading professor of economics in Vladivostok, stated that he would not accept an offer to work at this university and will not recommend others to send their children to study there because of the island's remote location and extreme weather conditions.

Comment

17. Vladivostok is now facing a shortage of everything --

VLADIVOSTO 00000035 002.2 OF 002

professional specialists, laborers, and especially time-- to prepare for the Summit. If authorities can find ways to solve the problems, holding the summit here would benefit the city by focusing attention on the RFE, helping Russians find partners who could unlock some of the region's natural riches, and integrating the RFE into the Asian economy. A possible scenario is that Moscow will find an appropriate official excuse to split APEC-2012 activities into two parts, with Presidential delegations meeting in Strelina near St. Petersburg (as other members of APEC including Australia requested in 2007) and working committee meetings being held in the RFE. However, there are high-level commitments that APEC will be held here and money has been invested. The summit could also be held in Vladivostok on board cruise ships if the official facilities are not completed. In any case, whether this is the Russian Far East's coming out party or simply a chance to get acquainted, the region offers many opportunities for American business and there are existing successful partnerships worth highlighting. The question is whether Moscow is ready to get in touch with its Pacific side.

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